

#30148715  
13792

# CHILD-ONLY FRAUD PILOT PROJECT

A JOINT EFFORT BETWEEN  
THE COUNTY OF ORANGE SOCIAL  
SERVICES AGENCY, DISTRICT  
ATTORNEY, AND THE STATE OF  
CALIFORNIA DEPARTMENT OF  
SOCIAL SERVICES

INSTITUTE OF GOVERNMENTAL  
STUDIES LIBRARY

APR 17 1995

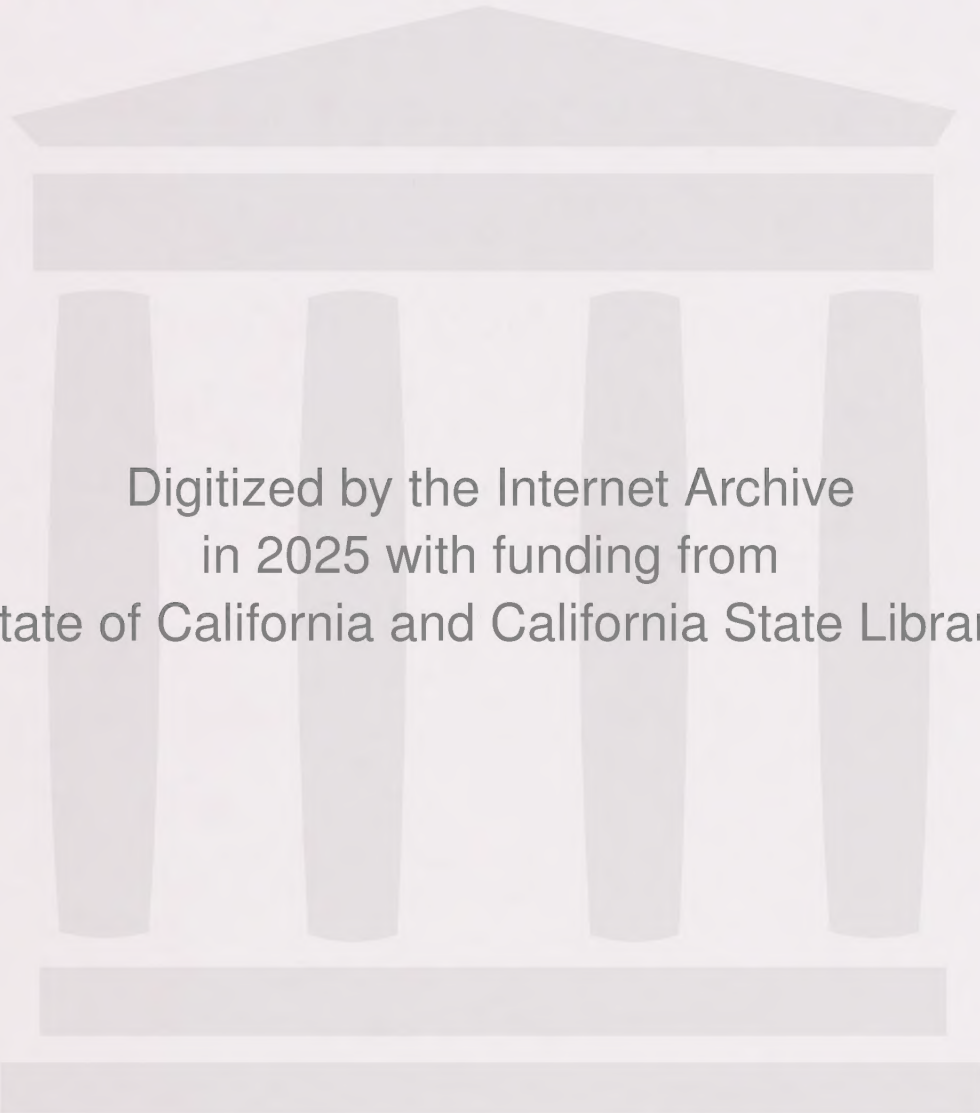
UNIVERSITY OF CALIFORNIA

Prepared by:

The County of Orange  
Social Services Agency

Larry M. Leaman  
Director

November 1993



Digitized by the Internet Archive  
in 2025 with funding from  
State of California and California State Library

<https://archive.org/details/C124915559>



## CHILD-ONLY FRAUD PILOT PROJECT

### EXECUTIVE SUMMARY

This report describes the results of a pilot study conducted in Orange County to measure fraud in child-only AFDC cases. The reasons this study was undertaken are as follows: (1) child-only cases are the most rapidly growing segment of Orange County's and California's AFDC caseload; (2) such cases tend to match the California Department of Social Services (CDSS) 1986 Fraud Profile Demonstration Project; and (3) these matches indicate a higher probability of potential for misuse of public funds. Orange County's Social Services Agency (SSA) and District Attorney's Office (DA) formed a partnership with the California Department of Social Services to identify the incidence of fraud in the child-only caseload. The fraud detection model utilized Special Investigators from the District Attorney's Office who conducted field investigations of aided child-only cases.

The California Department of Social Services provided funding for four fraud investigators for six months, as well as assistance with the paper screening of cases and study management. The Orange County Social Services Agency provided study management and staff for the paper screening and evaluation, while the District Attorney supplied four investigators and administrative support. The goal of this partnership was to test the effectiveness of using field investigations by the Orange County District Attorney's Special Investigative Unit (SIU) to identify program violations in child-only cases.

A Pilot Project Steering Committee was formed, consisting of representatives from the Orange County Social Services Agency, the Orange County District Attorney's Office and the California Department of Social Services. The Steering Committee established study parameters and oversaw the project's efforts.

This study tested a straight forward approach to reducing fraud or intentional program violations (IPV's) in the child-only caseload. IPV is a welfare term used to denote client willful misbehavior which has not been litigated. A random sample of 500 cases was drawn from Orange County's AFDC data base. (Due to imprecise selection criteria, the random sample included some cases that comprised both an unaided and aided parent. For a comparison of the sample of 500 child-only/unaided adult versus unaided adult cases, please see Appendices IV and V.) A team of quality control (QC) experts examined the case files to select cases for referral to the Special Investigative Unit in the Orange County District Attorney's Office. Two hundred seventy-seven cases were referred to the DA. Of the 277 cases referred, 232 were accepted for investigation and 45 were rejected. Subsequently, 216 cases were subjected to field investigation and 16 were not.

The field investigation conducted by the DA's SIU found intentional program violations in 135 of the 216 cases investigated. These program violations resulted in reductions or terminations of the AFDC grant or food stamps in 124 cases. The primary reasons for





the grant reductions/terminations were due to unreported income in the household and the absent parent living in the home (whereas the client had initially certified that the parent was absent).

### **COST BENEFIT**

The cost avoidance figures used in this study are based on: 1) the grant/food stamp reduction/discontinuance as identified by the SIU investigators; 2) a cohort study of attrition of child-only cases over a period of three years; and 3) how long the IPV case had been aided when the reduction/discontinuance occurred. By utilizing data from the cohort study, a termination rate referred to as a projected caseload half-life was determined. The projected caseload half-life is based on the dropout rate and is the length of time that it would take for 50 percent of the caseload to otherwise terminate. The projected half-life was multiplied by the grant/food stamp reduction/discontinuance to arrive at the projected cost avoidance for IPV cases according to how long the case had been aided as of the IPV reduction/discontinuance. Based on a comparison of the SIU grant/food stamp recommendations with CDS records, the projected cost avoidance figures were reduced by 20 percent to provide a more realistic projection of anticipated savings.

The grant reductions/terminations resulting from the investigations conducted for this study have already saved \$149,875 or 89% of the study's cost of \$168,000. Of this amount, there were \$117,927 in grant savings and \$31,948 in food stamp savings. An estimated \$1.22 million in adjusted cost avoidance was projected over a period of up to 33 months. The AFDC projected grant avoidance from the 115 grant terminations or reductions was over \$39,000 a month, for a total projected cost avoidance of \$947,576 (which includes the AFDC grant savings of \$117,927 already saved as of September 1993).

The AFDC grant cost avoidance estimates were split between the federal, state and county, based on their sharing ratio of 50 percent, 47.5 percent and 2.5 percent, respectively. The food stamp cost avoidance estimates were entirely federal. This study resulted in an approximate AFDC cost avoidance of \$473,788 federal, \$450,099 state and \$23,689 county, with an additional \$276,484 in federal cost avoidance for food stamps. The pilot study projected \$7.29 in projected cost avoidance for each dollar spent.

The results of this study indicate that field investigations by the SIU were cost effective in identifying IPV's. However, two caveats must be considered when drawing conclusions from this study:

1. The study did not compare the incidence of fraud or IPV's in child-only cases with any other AFDC client population in a statistically valid manner. Thus, conclusions cannot be drawn regarding the frequency of fraud in comparison with any other population.





2. The screening process precluded conclusions concerning the total incidence of fraud in child-only cases, since less than half of the cases in the sample of 500 were actually investigated by the Special Investigative Unit.

## **CONCLUSION**

Program violations were found in over 62% of the cases investigated or 27% of the random sample, which resulted in \$7.29 of projected cost avoidance for every dollar spent.

## **RECOMMENDATIONS**

It is recommended that two new studies and a follow-up of this study be conducted:

1. Conduct a study with a random sample of all continuing AFDC cases in Orange County to determine the incidence of fraud.
2. Replicate the study of child-only AFDC cases in another county.
3. After one year, track the cases in this study which had intentional program violations to determine the case status at that time, in order to develop a more accurate estimate of actual savings.





## **CHILD-ONLY FRAUD PILOT PROJECT**

### **BACKGROUND**

This pilot project tested the effectiveness of field investigations in identifying intentional program violations (IPV's) which resulted in overpayments/ineligibility in child-only cases. In child-only cases, the aid is requested to support the child(ren) in the family group, but neither the adult(s) nor possibly other siblings are eligible.

Child-only cases were a major contributor to caseload growth in both Orange County and in the State of California. Graph 1 displays the doubling of the number of children in the county's child-only caseload over a period of three years. In comparison, the number of children in the general AFDC caseload grew by only 45 percent (see Table 1). Statewide, in fiscal year 1992-1993, child-only cases increased to 25 percent of the total AFDC caseload and accounted for one-half of the total AFDC growth.

Cases were considered child-only for a variety of reasons:

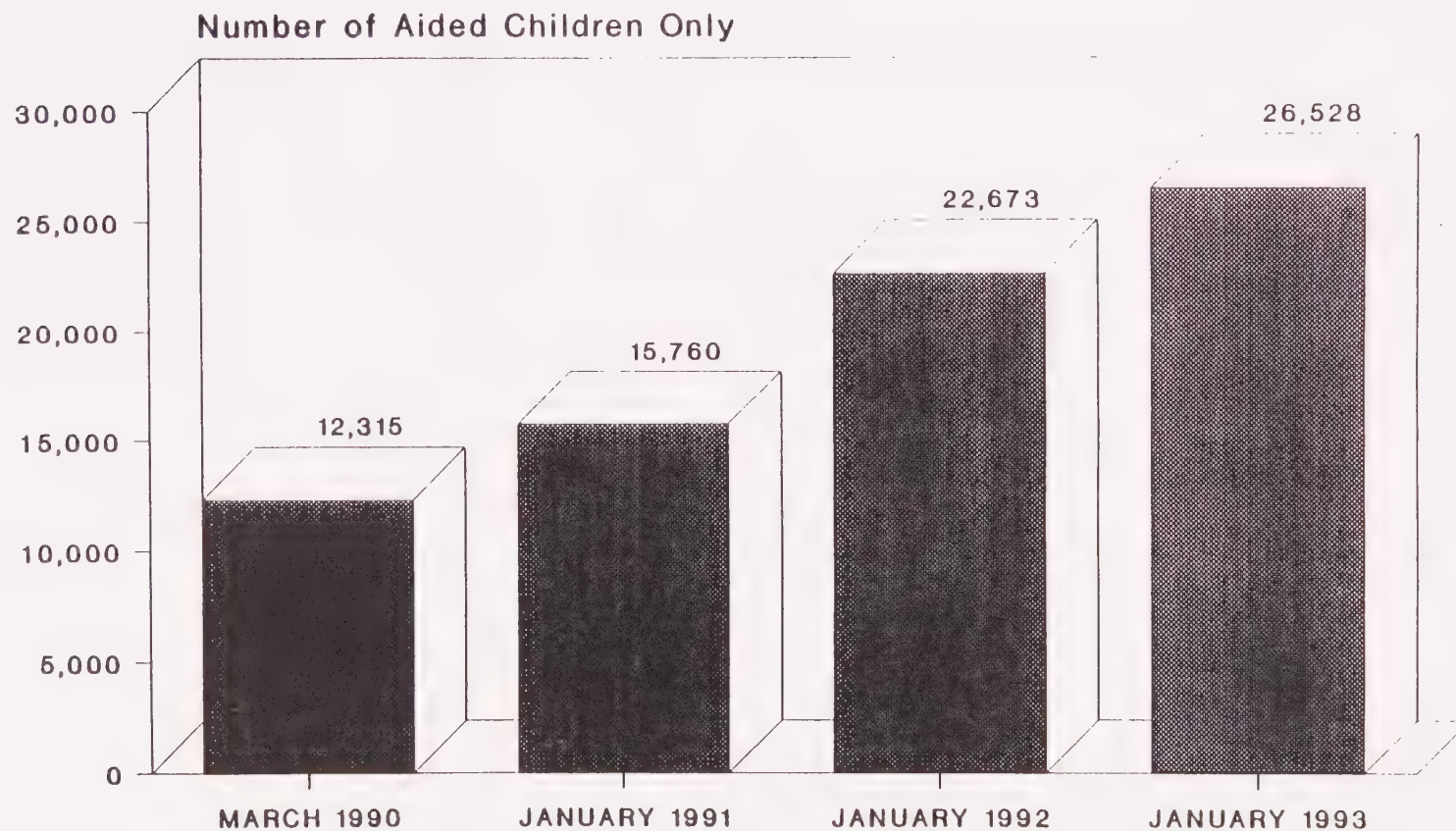
1. If the child lived with a non-needy relative caretaker.
2. If the parent received social security or SSI benefits.
3. If the parent was sanctioned for not cooperating with either the GAIN or Child Support programs.
4. If parent(s) were ineligible for aid because they were not legal residents of the United States, but their children were born in the U.S. with full citizen rights.
5. If the parents were in the process of becoming legal residents but were not eligible for AFDC because of their immigration status, i.e., if they received amnesty through the Immigration Reform and Control Act of 1986 (IRCA), were recent sponsored aliens barred from federally funded assistance for up to three years, or were parolees as defined by the INS.
6. If the parent's needs were met through unemployment or disability insurance.



# Orange County Fraud Pilot Project

## NUMBER OF CHILD-ONLY CHILDREN ON AID\*

March 1990 to January 1993



Graph 1

\* The data includes children in child-only and other unaidded adult cases, per the findings of this study.





TABLE 1

ORANGE COUNTY  
CHILD ONLY FRAUD PILOT PROJECT

COMPARISON OF CHILD-ONLY CHILDREN vs. OTHER AFDC CHILDREN  
FROM MARCH 1990 TO JANUARY 1993

-- Number of AFDC Aided Children --

<u>Month/Year:</u>	<u>Child-Only Children*</u>		<u>Children with Aided Adults</u>		<u>All Aided Children</u>	
	<u>n</u>	<u>%</u>	<u>n</u>	<u>%</u>	<u>n</u>	<u>%</u>
March 1990	12,315	29%	30,021	71%	42,336	100%
January 1991	15,760	32%	33,691	68%	49,451	100%
January 1992	22,673	37%	38,652	63%	61,325	100%
January 1993	26,528	38%	43,572	62%	70,100	100%
<b>Number &amp; Percent</b>						
Increase 3/90-1/93:	14,213	115%	13,551	45%	27,764	66%

\* The data includes children in child-only and other unaided adult cases, per the findings of this study.





### Why Study Fraud in Child-only Cases?

There were two important reasons for studying the frequency of fraud in child-only cases. The first was that child-only cases were growing at a very rapid pace. The second was that these cases, where the potential for unreported earnings would impact eligibility, fit state high risk fraud profiles:

1. The aid requested was less than the family's needs.
2. One or more unaided adults were in the household.
3. These unaided adults were not required to document social security numbers; consequently, the conventional methods of checking for assets and earnings could not be used.

### How is Welfare Fraud Defined?

The pilot project's steering committee discussed two definitions of welfare fraud that could be used for this study. The first is the layman's definition which states that welfare fraud occurs when a person intentionally receives undeserved aid. The second is a legal definition which requires that the offender be successfully prosecuted and convicted of welfare fraud. The legal process is very labor intensive, and only a small number of cases could be prosecuted with the resources assigned to this study. Furthermore, the results of the legal action would not be known within the ten-month time frame of this study. Orange County's extensive experience in investigating and prosecuting welfare fraud led to the conclusion that using the legal definition was not cost effective for this study and would have greatly understated the actual level of intentional abuse by AFDC recipients.

For purposes of this study, intentional program violations, or IPV's, were defined as welfare fraud or overpayments resulting from the client's willful actions. The study's steering committee operationally determined that an IPV was present if there were substantial changes to case eligibility because of the investigation. Examples of changes indicative of an IPV were:

1. The family's aid was terminated because they did not supply information needed to redetermine eligibility.
2. The client changed the reported household composition or began to report earnings.
3. An overpayment was identified or the aid amount was reduced because of the investigation.
4. The aid was discontinued.
5. The case was referred within the District Attorney's office for prosecution.



6. The family voluntarily withdrew from aid.

## **METHODOLOGY**

A computer-generated, random sample of 500 cases was drawn from a file consisting of all the Orange County child-only (unaided adult) cases for December 1992. (For selection criteria, see Appendix I; for the formula for determining sample size, see Appendix III; and for a discussion of the "child-only" universe, please see the "Conclusion" section of the report, beginning on Page 16.) A team of quality control (QC) experts from the Orange County Social Services Agency (SSA) and the California Department of Social Services (CDSS) reviewed the 500 case files. A total of 277 cases was referred. When the SIU screened the cases, 216 were accepted for field investigations using standard welfare fraud procedures.

The cost avoidance figures were based on: 1) the grant/food stamp reduction/discontinuance as identified by the SIU investigators; 2) a cohort study of attrition of child-only cases over a period of three years; and 3) the length of time the IPV case had been aided when the reduction/discontinuance occurred. Utilizing data from the cohort study, a termination rate (referred to as a projected caseload half-life) was determined. The projected caseload half-life is based on the dropout rate and is the length of time that it would take for 50 percent of the caseload to terminate. The projected half-life was multiplied by the grant/food stamp reduction/discontinuance to arrive at the projected cost avoidance for IPV cases. Based on a comparison of the SIU grant/food stamp recommendations with Case Data System records, the projected cost avoidance figures were then reduced by 20 percent. For a more complete discussion of the cost avoidance calculations, see Appendix II.

### **Screening of Case Files by Quality Control Experts**

A panel comprised of staff of CDSS Welfare Division and SSA Quality Control reviewed the file for each case to determine whether it warranted a referral to the Special Investigative Unit. Cases were not referred to the SIU if any of the following were true:

1. If it was a non-needy relative caretaker case.
2. If the parent received social security or SSI benefits.
3. If the parent reported full employment. This would include cases in which sufficient income was reported to meet the parent(s) needs and was within the need standard allowed for the family's size.
4. If the case was investigated in the last 90 days.
5. If the case was closed.





6. If the parent(s) did not understand their "rights and responsibilities" as reported by the Eligibility Technician.
7. If the parent was presently being aided.

The case reviews were conducted at the district offices, starting with the Santa Ana Regional Center where the most child-only cases occurred. These cases were reviewed over a period of four days and totaled approximately 16 person days of work.

## **STUDY RESULTS**

### **Comparison of the Sample With All Child-only and All AFDC Cases**

Table 2 compares the sample with the universe of child-only cases from which it was drawn and the total AFDC caseload. The sample closely resembled the child-only universe with only a few minor differences in length of stay, case size and age of the primary caretaker. The child-only caseload differed from the total AFDC caseload by showing a higher percentage of Hispanic cases (65% vs. 38%), a somewhat longer mean length of stay (772 days vs. 722 days or 25.4 vs. 23.7 months) and a larger mean assistance unit size (4.17 vs. 3.67 persons).

### **Case File Screening by Quality Control Experts**

The paper screening identified several reasons for rejection, as presented in Table 3. Two hundred twenty-three cases were not referred to the District Attorney's SIU. The most frequent reason (102 cases) was that there was an aided adult in the case. While the time was right for some of these adults to be IRCA amnesty applicants who became eligible for permanent residency and federal assistance such as AFDC during the period between drawing the sample and the initial screening, the study did not collect the data needed to explain the aided adults in this sample. Yet, most of these cases involved a household that included other unaided adults, including undocumented aliens. Such cases have been determined to have high potential for fraud, as discussed in the California Department of Social Services 1986 Fraud Profile Demonstration Project. Also, some other cases included adults not aided because they were receiving unemployment or disability insurance. These unaided adults could eventually appear in the case at a later date.

Table 4 shows the demographic characteristics of the cases rejected at the paper screening, as well as those referred to the SIU. The ethnicity of the cases rejected at the paper screening was fairly evenly distributed among the four categories, with Hispanic as the largest single group. The cases rejected had a longer length of stay and the primary caretaker was older, most likely those cases with a non-needy relative caretaker who was usually a grandparent or who received SSI/SSP.





TABLE 2

ORANGE COUNTY  
CHILD ONLY FRAUD PILOT PROJECT

COMPARISON OF CASE SAMPLES vs. AFDC CASELOAD

for DECEMBER 1992

Variable:	Sample of Child-Only*		All Child-Only*		AFDC Caseload	
	<u>n</u>	<u>%</u>	<u>n</u>	<u>%</u>	<u>n</u>	<u>%</u>
<b>Ethnicity:</b>						
White	77	15.4%	1,923	14.0%	10,848	27.1%
Hispanic	323	64.6%	8,854	64.6%	15,234	38.1%
S.E. Asians	56	11.2%	1,760	12.9%	7,841	19.6%
<u>Other</u>	<u>44</u>	<u>8.8%</u>	<u>1,161</u>	<u>8.5%</u>	<u>6,073</u>	<u>15.2%</u>
<b>Total:</b>	500	100.0%	13,698	100.0%	39,996	100.0%
 <b>Mean Length of Stay in Days:</b>	 776		 772		 722	
 <b>Mean Number of Total Persons:</b>	 4.21		 4.17		 3.67	
 <b>Mean Age of Primary Caretaker:</b>	 32.3		 31.7		 31.8	

\* The data includes children in child-only and other unaided adult cases, per the findings of this study.



TABLE 3

ORANGE COUNTY  
CHILD ONLY FRAUD PILOT PROJECT

CASES NOT REFERRED FOR INVESTIGATION :  
REASONS REJECTED AT PAPER SCREENING

-- Percentages Based on Total of 500 Cases --

	<u>Reasons Rejected at Paper Screening</u>	
	<u>n</u>	<u>%</u>
Non-Needy Caretaker	19	3.8%
Caretaker Receiving SSI/SSP	59	11.8%
Caretaker Fully Employed	19	3.8%
Investigated in Last 90 Days	11	2.2%
Case Closed	13	2.6%
<u>Mother/Father Aided</u>	<u>102</u>	<u>20.4%</u>
Total:	223	44.6%





TABLE 4

ORANGE COUNTY  
CHILD ONLY FRAUD PILOT PROJECT

BREAKDOWN OF SAMPLE  
THROUGH SCREENING AND INVESTIGATION PROCESS  
BY DEMOGRAPHIC CHARACTERISTICS

-- Percentages Based on Total of 500 Cases --

Characteristics:	Sample of Child-Only*		Rejected at Paper Screening		Referred to Investigations	
	<u>n</u>	<u>%</u>	<u>n</u>	<u>%</u>	<u>n</u>	<u>%</u>
<u>Ethnicity:</u>						
White	77	15.4%	62	12.4%	15	3.0%
Hispanic	323	64.6%	90	18.0%	233	46.6%
S.E. Asians	56	11.2%	46	9.2%	10	2.0%
<u>Other</u>	<u>44</u>	<u>8.8%</u>	<u>25</u>	<u>5.0%</u>	<u>19</u>	<u>3.8%</u>
Total:	500	100.0%	223	44.6%	277	55.4%
<u>Earnings:</u>						
Earnings	19	3.8%	14	2.8%	5	1.0%
<u>No Earnings</u>	<u>481</u>	<u>96.2%</u>	<u>209</u>	<u>41.8%</u>	<u>272</u>	<u>54.4%</u>
Total:	500	100.0%	223	44.6%	277	55.4%
 Mean Length of Stay in Days:						
	776		953		633	
 Mean Number of Total Persons in Case:						
	4.2		4.3		4.1	
 Mean Age of Primary Caretaker:						
	32.3		35.6		29.7	

\* The data includes children in child-only and other unaided adult cases, per the findings of this study.



The case screening by the QC experts found 145 aided adults. Since this number of aided adults should not have been found in "child-only" cases, the study evaluators re-examined how the sample was drawn. They found that the criteria listed in Appendix I had selected cases with both unaided adults and aided adults for the sample. Although the end result was an over-count of "child-only" cases, all of the cases selected had unaided adults. This was the factor which made the case a higher risk for fraud. Thus, the study contributed to an expanded understanding of the composition and dynamics of "child-only" cases or, more correctly, "cases with unaided adults."

### Field Investigations

Two hundred and seventy-seven cases were referred to the District Attorney's Special Investigative Unit fraud investigation team; 216 cases were investigated. There were 45 cases that were not accepted by the D.A. for investigation primarily because they were closed cases or had recently been investigated. Sixteen cases were not investigated due to time limitations of this study. Please see the flow chart for an illustration of how the cases moved through the pilot project, and see Table 5 for a breakdown of caretaker status by screening outcome.

Intentional Program Violations were found in over 62 percent of the cases investigated. One hundred fifteen AFDC and 105 Food Stamp cases were recommended to be discontinued and/or to have the aid reduced as the result of the investigations. In most of these cases, both the AFDC and Food Stamp aid were either reduced or discontinued; however, in some cases only the Food Stamp aid was affected or vice versa. In total, 124 different cases were recommended for aid reduction or discontinuance (see Table 7).

Based on the outcome of the SIU investigation, 77 cases had unreported income (negative action cases and voluntary withdrawals combined); 23 cases had the absent parent in the home (all voluntary withdrawals); 10 cases failed to report a change in household composition; 7 cases had not reported a change in residence; 3 cases failed to cooperate; in 3 other cases the aided child was no longer in the home; and 12 cases had intentional program violations for various other reasons. In all, 89 cases voluntarily withdrew from aid because of the investigations. The voluntary withdrawals usually followed an extensive investigation, whereby multiple visits were made to the family's residence, neighbors were interviewed, and bank and employment records were collected. (See Table 6 for the results of the SIU investigations and Table 7 for the projected cost avoidance.)





FLOW CHART OF  
ORANGE COUNTY CHILD-ONLY FRAUD PILOT PROJECT

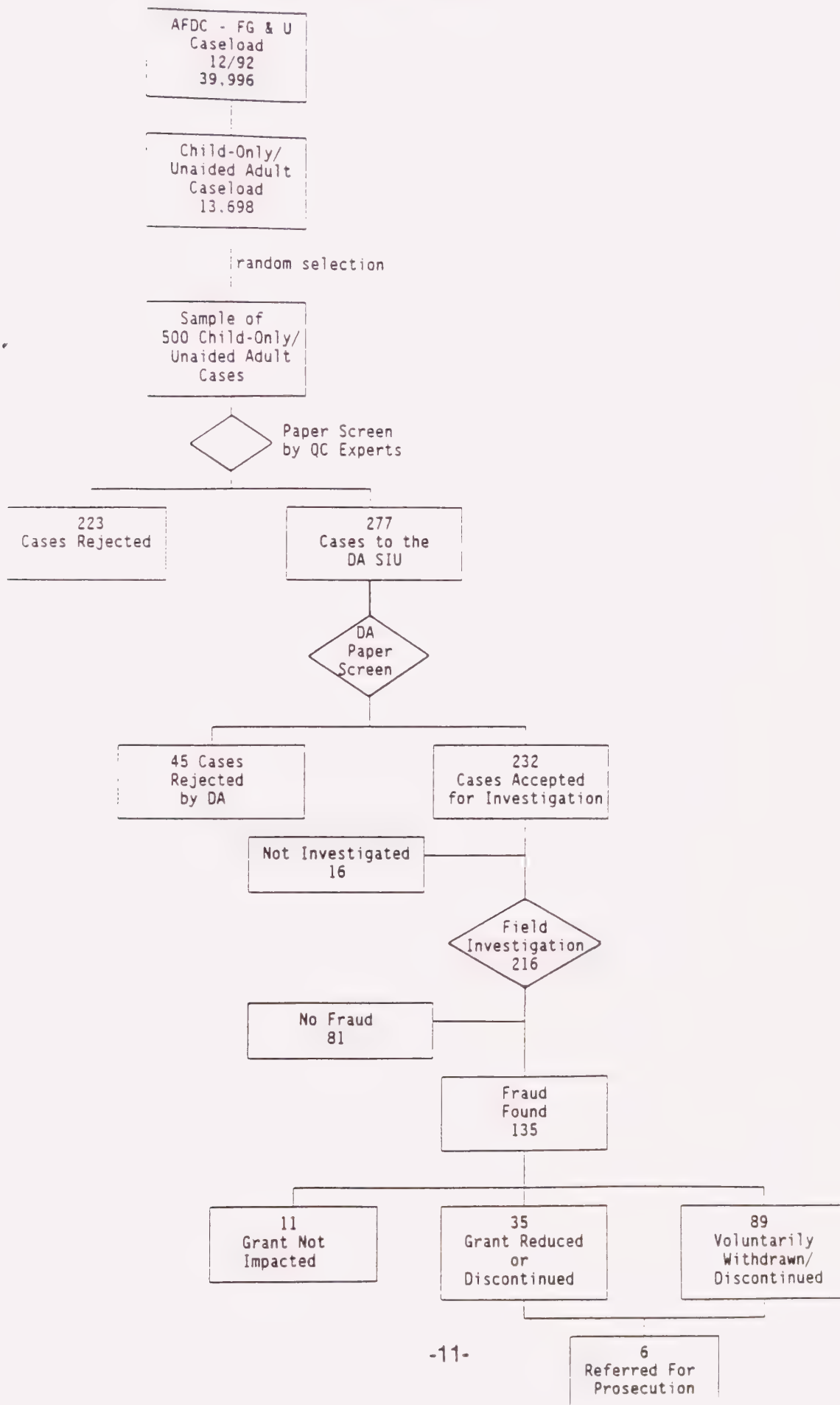




TABLE 5

ORANGE COUNTY  
CHILD ONLY FRAUD PILOT PROJECT

CARETAKER STATUS  
BY SCREENING OUTCOME

-- Count of Persons --

Why Caretaker was not in <u>Assistance Unit :</u>	<u>Sample of</u> <u>Child – Only *</u>		<u>Rejected</u> <u>at Paper</u> <u>Screening</u>		<u>Referred to</u> <u>Investigations</u>	
	<u>n</u>	<u>%</u>	<u>n</u>	<u>%</u>	<u>n</u>	<u>%</u>
<u>AFDC – FG (Persons):</u>						
Undocumented Alien/IRCA	194	50.2%	41	21.1%	153	79.3%
AFDC Discontinued	2	0.5%	0	0.0%	2	1.0%
Non – Needy	28	7.2%	27	13.9%	1	0.5%
Other	36	9.3%	31	16.0%	5	2.6%
Aided Parent	123	31.8%	93	48.0%	30	15.5%
<u>Not Coded</u>	<u>4</u>	<u>1.0%</u>	<u>2</u>	<u>1.0%</u>	<u>2</u>	<u>1.1%</u>
Total:	387	100.0%	194	100.0%	193	100.0%
<u>AFDC – U (Persons):</u>						
Undocumented Alien/IRCA	159	70.4%	31	53.4%	128	76.2%
AFDC Discontinued	0	0.0%	0	0.0%	0	0.0%
Non – Needy	0	0.0%	0	0.0%	0	0.0%
Other	8	3.5%	4	6.9%	3	1.8%
Aided Parent	22	9.7%	15	25.9%	7	4.1%
<u>Not Coded</u>	<u>37</u>	<u>16.4%</u>	<u>8</u>	<u>13.8%</u>	<u>30</u>	<u>17.9%</u>
Total:	226	100.0%	58	100.0%	168	100.0%

Please Note: AFDC – FG Cases = 387  
AFDC – U Cases = 113

\* The data includes children in child – only and other unaided adult cases, per the findings of this study.

Note: "Not Coded" indicates that this item was not coded in C.D.S by the E.T.





TABLE 6

ORANGE COUNTY  
CHILD-ONLY FRAUD PILOT PROJECT  
OUTCOME OF FRAUD INVESTIGATION

	<u>Number of Cases</u>
<u>COMPLETED :</u>	<u>216</u>
Fraud Indicated	135
Fraud Not Found	81

	<u>Number of Cases</u>
<u>Fraud Indicated :</u>	<u>135</u>
Unreported Income	77
Absent Parent in Home	23
Household Composition	10
Residence	7
Failure to Cooperate	3
Child Out of Home	3
Other	12

**Please Note:** The "Fraud Indicated" category includes 89 cases which withdrew voluntarily.



TABLE 7

**ORANGE COUNTY CHILD – ONLY FRAUD PILOT PROJECT**  
**PROJECTED COST – AVOIDANCE BY LENGTH OF STAY**

<b>Length of Stay Up to IPV Action</b>	<b>Projected Caseload Half – Life (in Months)</b>	<b>Average Avoidance Grant Cases Only</b>	<b># of Cases</b>	<b>Average Avoidance Food Stamp Cases Only</b>	<b># of Cases</b>	<b>Average Avoidance Cases with Both Grant &amp; Food Stamps</b>	<b># of Cases</b>	<b>Average Avoidance All Cases Combined</b>	<b># of Cases</b>
<b>Less Than 6 Months</b>	9	\$2,763	2	\$972	1	\$1,674	1	\$2,043	4
<b>More Than 6 Months &amp; Less Than 18 Months</b>	12	\$3,213	4	\$1,830	2	\$6,818	41	\$6,300	47
<b><u>18 Months or Longer</u></b>	33	<u>\$13,108</u>	<u>13</u>	<u>\$6,512</u>	<u>6</u>	<u>\$18,821</u>	<u>54</u>	<u>\$16,792</u>	<u>73</u>
<b>Total Number of Cases:</b>			19		9		96		124

Please Note: For a complete discussion of the projected cost – avoidance calculations see Appendix II.





## Cost-Benefit Analysis

The cost-benefit analysis determined the cost effectiveness of using fraud investigators to identify IPV's in selected child-only cases. The cost side of the equation included the cost of 24 person months for the fraud investigators (four investigators for six months) and 16 person days for the paper screening. The cost was funded by CDSS and comprised the fully loaded cost (salary plus overhead) of \$82,000 a person year or \$164,000 for the study. The cost for the paper screening was approximately \$4,000. The total study cost was \$168,000.

The savings resulted from the reductions or terminations of aid in cases where the SIU identified overpayments, which were confirmed by examining Case Data System records. The actual savings as of September 28 were \$117,927 from AFDC and \$31,948 in food stamps. The total cost avoidance was projected to be \$947,576 in AFDC and \$276,484 in food stamps (for an explanation of how these saving were derived, see Appendix II). The AFDC grant savings were split between the federal, state and county, based on their sharing ratio of 50 percent, 47.5 percent and 2.5 percent, respectively. The Food Stamp benefits savings were entirely federal. This study resulted in an approximate AFDC cost avoidance of \$473,788 federal, \$450,099 state and \$23,689 county, with an additional \$276,484 in federal cost avoidance for food stamps. The pilot projected \$7.29 in savings for each dollar spent.

## DISCUSSION OF RESULTS

Fraud was found in 62 percent of the cases investigated. Of these fraudulent cases, 92 percent were impacted either by aid reduction or discontinuance. While a significant majority of the cases showed unreported income (77 cases) or the absent parent in the home (23 cases) as the basis for the grant being affected, most of these cases voluntarily withdrew, which consequently became the official recorded reason for the action taken by the agency.

"Voluntary withdrawal" was originally listed as an indicator of fraud because it was a likely outcome for this type of investigation. The case files indicated that the client usually withdrew when the investigation was in progress. Evidence of employment, such as check stubs, bank receipts or W-2 forms, were collected; false ID's were confiscated; or a non-aided adult in the household was identified as the absent parent. The investigators presented the results of the investigation and explained program violations, reporting responsibilities and implications of perjury to the client(s). It was at that time the client asked to withdraw. It is believed the number of voluntary withdrawals was a reflection of good investigative fact finding. Please note that five of the six cases referred to the DA for prosecution were voluntary withdrawals.

How long the client who voluntarily withdraws will stay off aid is a question that can be asked of any household terminated because of an investigation. To answer this question and to better understand how the SIU's grant reduction recommendations were implemented, the payment histories of all of the cases where grant reductions were



recommended were reviewed on September 28, 1993 (please note that all changes in eligibility and grant amounts must be made by the Eligibility Technician assigned to the case). In 79 cases, the SIU's recommended AFDC grant reductions were implemented, and in 9 of these cases, the aid reductions were greater than that reported by the SIU. In 27 cases, the reductions had not yet occurred or were less than the amount reported by the SIU. This was not unexpected since approximately 20 of the investigations were not completed until the end of August.

Only five of the terminated cases had reapplied and were receiving aid as of September 28. Eighty-three of the 124 cases with recommended aid reductions were closed. The voluntarily withdrawn cases and the cases terminated as a result of SSA action were flagged so that the issues identified by the fraud investigation would be resolved before reapplication was accepted. The log check did not indicate a large number of reapplications (five over six months) among either the voluntarily withdrawn cases or the SSA terminated cases.

What did this study indicate about the immigration status of AFDC recipients? The study occurred at an interesting time, when most IRCA amnesty recipients became eligible for permanent status, and adults became eligible for aid. (The five-year period of ineligibility is ending this year.) Of the 102 cases rejected at the paper screening because adults were aided, some could be IRCA amnesty recipients now eligible for aid. However, there are other reasons that the cases would change from the child-only status, for example, when a sanction period ended or unemployment benefits terminated. Since this study did not specifically investigate immigration status and since the study had no control groups that allowed for a comparison of fraud rates between child-only and other AFDC cases, the results should not be used to draw conclusions about immigration and AFDC. It should only be used to draw conclusions about the effectiveness of fraud field investigations with child-only and unaided adult cases.

## **CONCLUSION**

This study tested the effectiveness of using field investigations by the Orange County District Attorney's Special Investigative Unit to identify intentional program violations in child-only/unaided adult cases. Child-only cases were selected for this study because of their rapid caseload growth in both Orange County and the State of California and because the unaided parents were not required to provide a social security number, which precluded checking their incomes through automated systems. Of the 216 investigations that were completed, 135 cases had intentional program violations. Of these, 124 cases were recommended by the SIU to have their AFDC and/or Food Stamp aid reduced or terminated. The pilot project's projected cost avoidance of \$1.22 million compared well to the expenditures of \$168,000.

Two important caveats are offered in the consideration of the results of this study. First, this study did not establish any fraud rate for child-only and unaided adult cases because a selected sample, rather than all of the cases, was subjected to a field investigation. Secondly, this study did not address the fraud rate of child-only and unaided adult cases





relative to any other welfare caseload since a comparison group was not used. The study indicated that the use of fraud investigators making field visits to child-only and unaided adult cases resulted in detecting IPV's in the caseload and reducing assistance costs. This study projected a cost avoidance of \$7.29 for every \$1.00 spent, when using the fraud detection model.

One of the findings of the study is that the selection criteria are imprecise. The selection criteria selected a case as being "child-only" if either adult met the criterion of being unaided. This resulted in cases being selected which had one unaided adult and, in some instances, one aided adult. (For a comparison of the original cases sampled to the sample cases with no aided adult, please see Appendix IV.) While the result was an over-count of child-only cases, those cases with a high risk of fraud were identified because an unaided adult was in the household of each case. Appendix V shows that the number of child-only cases was 9,241 in Orange County's AFDC caseload as of December 1992. That means that approximately two-thirds of the savings identified in this study apply to child-only cases.

The study left questions unanswered. Would the IPV findings be the same if a random sample of all AFDC cases were used? Would another county produce the same results which Orange County produced? Did these discontinued cases reapply in other counties, or will they reapply in Orange County?





## **RECOMMENDATIONS**

It is recommended that two new studies and a follow-up of this study be conducted:

1. Conduct a study with a random sample of all continuing AFDC cases in Orange County to determine the incidence of fraud.
2. Replicate the study of child-only (unaided adult) AFDC cases in another county.
3. After one year, track the cases in this study which had intentional program violations to determine the case status at that time, in order to develop a more accurate estimate of savings.



## APPENDIX I

### Selection Criteria for Child-only Cases

The child-only file comprised all cases which met the following criteria:

1. The case status was active (receiving AFDC).
2. The family budget unit and the aid category indicated either AFDC-Family Group or Unemployed Parent.
3. The code for primary caretaker or secondary caretaker indicated that he/she was either excluded, inactive or in the household but not aided.
4. There was at least one aided child in the case.





## APPENDIX II

### COST BENEFIT ANALYSIS

The purpose of this study was to determine the cost effectiveness of field investigations of a selected sample of child-only and unaided adult cases conducted by the Orange County District Attorney's Office. This appendix discusses the methods used to derive the actual cost savings, the projections of cost avoidance, the adjusted projections of cost avoidance and the projected length of stay.

#### Actual Cost Savings

The SIU reported fraud or Intentional Program Violations in 135 cases and recommended reductions or termination of either or both the AFDC grant and food stamps in 124 cases. A review of the amount of AFDC and food stamps given to these 124 cases was conducted on September 28 using the Case Data System. CDS showed AFDC grant reductions in 111 cases and Food Stamp reductions in 86 cases.

Only five of the terminated cases had reapplied and were receiving aid as of September 28. Eighty-three of the 124 cases with recommended aid reductions were closed. The voluntarily withdrawn cases and the cases terminated as a result of SSA action were flagged so that the issues identified by the fraud investigation would be resolved before reapplication was accepted. The log check did not indicate a large number of reapplications (five over six months) among either the voluntarily withdrawn cases or the SSA terminated cases.

The actual AFDC grant savings through September were \$117,927 (the federal share was \$58,963; the State share was \$56,015; and the county share was \$2,948) and the food stamps savings were \$31,948. The \$149,875 saved by September equalled 89.2 percent of the study's cost. Additional costs were projected to be avoided over the next 24 months.

#### Projected Cost Avoidance

The cost **avoidance** figures are based on: (1) the grant/food stamp reduction/discontinuance as identified by the SIU investigators; (2) how long the IPV case had been aided when the reduction/discontinuance occurred; and (3) a cohort study of attrition of child-only cases over a period of three years.

The grant/food stamp reduction/discontinuance was based on the results of the SIU investigation. The grant and/or food stamp dollar reduction amount for each case was recorded on a specially designed form. This dollar amount represented the basic data for calculating the projected cost avoidance on a case basis.



## APPENDIX II

### Page two

For cases which had an IPV, the length of time from application date through the date of the IPV was calculated. The case discontinuance or grant reduction as a result of the IPV represents a projected grant reduction/discontinuance in that, without the IPV, the case would have continued to be aided. This raises the question of how long the case would have been aided had the IPV not occurred.

To determine a baseline for length of stay for child-only cases, a cohort study was conducted. Cases which met the child-only criteria and which had not previously been aided were tracked for three years to determine their length of stay on aid. The tendency was for a disproportionate number of cases to discontinue during the earlier months of aid, whereas cases which stayed on for longer periods of time continued to remain on aid. Cases were divided into four groups: those on aid less than six months, those aided six months but less than one year, those aided one year but less than 18 months and those aided 18 months or longer. For each time period, the average monthly discontinuance rate was computed. At this point, the task was to determine the projected length of stay for the remaining active cases which could be applied to the cases which were projected to be discontinued as a result of the IPV. The assumption was that the point in time at which 50 percent of the active cases were terminated (based on the average monthly discontinuance rate) would constitute a conservative measure of projected length of stay. This was called a projected caseload half-life. For the four groups, this translated into a projected caseload half-life of 9 months, 12 months, 12 months and 33 months, respectively. Thus, the projected length of stays ranged from 9 to 33 months.

The projected cost avoidance was calculated by multiplying the grant/food stamp reduction/discontinuance amount by the projected caseload half-life based on length of stay at the time of the IPV reduction/discontinuance. Table 8 shows the cost avoidance that would occur if the SIU grant/food stamp reduction/discontinuance recommendations were fully implemented and none of the cases were readmitted to aid.

#### Adjusted Projected Cost Avoidance

The SIU recommends grant reductions/discontinuances based on the investigation findings. The actual change in grant amounts is made by the Eligibility Technician who has responsibility for the case. The 115 cases in which grant reductions/discontinuances were recommended by the SIU were compared with Case Data System records to determine the extent of agreement with actual changes made by the Eligibility Technician.



TABLE 8  
  
ORANGE COUNTY  
CHILD – ONLY FRAUD PILOT PROJECT  
  
COST – AVOIDANCE

Simple One Month's Cost Avoidance

Grant :	\$48,804	Mean =	\$424	n = 115
<u>Food Stamps :</u>	<u>\$14,240</u>	Mean =	\$136	n = 105
Total (Approx.) :	\$63,044			

Projected Cost Avoidance

Grant :	\$1,184,471	Mean =	\$10,300	n = 115
<u>Food Stamps :</u>	<u>\$345,605</u>	Mean =	\$3,291	n = 105
Total (Approx.) :	\$1,530,076			

Please Note: These projections were reduced by 20% to compensate for cases reapplying, etc. – – see Appendix II.





## APPENDIX II

### Page four

The Case Data System records agreed with the SIU recommendations in 79 cases. In 27 cases, the cost savings were less (five of these cases had terminated and reapplied), and in nine cases, the aid reduction was greater than what the SIU had reported. The SIU grant reduction/discontinuance figures appeared to overstate the savings by approximately 20 percent based on the five cases readmitted between April and September. In addition, cases readmitted would further reduce the cost avoidance by approximately five percent every six months. (This was a conservative estimate based on the five cases readmitted between April and September). Adjustments were then made based on the 20 percent reduction figures. The result was called an adjusted, projected cost avoidance and was used throughout this report as the cost avoidance figures.

The monthly and total food stamp/grant projected cost avoidance figures were reduced by 20 percent. The monthly projected grant cost avoidance of \$48,804 was reduced to \$39,043. The total AFDC projected cost avoidance was reduced to \$947,576 (county share \$23,689, state share \$450,099 and federal share \$473,788).

The food stamps adjusted cost avoidance was calculated the same way as the grant reduction. The projected monthly food stamps cost avoidance of \$14,240 was reduced by 20 percent to \$11,392, and the total food stamps cost avoidance was adjusted to \$276,484. The combined grant/food stamps adjusted cost avoidance was \$1,224,060. The actual grant and food stamp savings as reported above have already occurred and, as such, are incorporated into the adjusted projected amounts.

### Study Costs

The field investigations were the primary cost of the study. Four investigators were used for six months for a total cost of \$164,000. (This was the fully loaded cost of two investigators, as used by CDSS in budgeting.) Sixteen person days were used for the paper screening, which increased the cost of the study by \$4,000. The total cost of the study was \$168,000.

### Cost Benefit

The child-only/unaided adult study had saved \$149,875 as of September 1993. The adjusted, projected grant cost avoidance was \$947,576 for AFDC and \$276,484 for food stamps. The total cost avoidance of the study was \$1,224,060 versus a cost of \$168,000. There was a projected cost avoidance of \$7.29 for every dollar spent on the pilot project.



### APPENDIX III DETERMINATION OF SAMPLE SIZE

The recommended sample sizes assume the following:

- a. a 95% confidence interval
- b. an accuracy level of +/- 5% for the estimated population fraud rate
- c. an estimated fraud rate of 50%. This rate, although probably high, represents a conservative approach since sample size is maximized. If the actual fraud rate is thought to be below 35% or above 65%, the sample size can be lowered.

Sample size is determined by using the confidence interval formula --

$$(1) X \pm z \sqrt{\frac{\sigma^2}{N}} ; \text{ or } X \pm L \text{ where } L = z \sqrt{\frac{\sigma^2}{N}}$$

Since fraud rate is a binomial proportion, the estimate of the population standard deviation, is:

$$s = \sqrt{pq}$$

Substituting into (1) and solving for n:

$$n = \frac{z^2 pq}{L^2}$$

Using assumptions a, b and c:  $z=1.96$ ;  $p=q=0.5$ ;  $L=.05$ . Entering these values, the estimated sample size is

$$n = \frac{(1.96)^2 (0.5)(0.5)}{(.05)^2} = 384$$

Apply the finite population correction to obtain a revised estimate:

$$n' = n / (1 + \phi), \text{ with } \phi = n / N$$

$n$ =sample size=384

$N$ =population size=13335

Note that for an infinite  $N$ ,  $n' = n$ .

$$n' = \frac{384}{1 + \frac{384}{13335}} = 373$$



### RECOMMENDED SAMPLE SIZES

Option 1: A simple, random sample drawn from a universe of AFDC-FG and AFDC-U cases in which there are no aided adults.

Sample size = 373

Option 2: Same as Option 1 except two simple, random samples are drawn: one for 10,332 AFDC-FG cases and one for 3,003 AFDC-U cases.

Sample size for AFDC-FG = 370

Sample size for AFDC-U = 340

Option 3: Simple, random sample of 500 GAIN cases.

Sample size = 217





# APPENDIX IV

## ORANGE COUNTY CHILD-ONLY FRAUD PILOT PROJECT

COMPARISON OF ORIGINAL CASES SAMPLED vs. CASES SAMPLED WITH NO AIDED ADULTS  
for DECEMBER 1992

Variable:	Original Sample of Child-Only*		Cases in Original Sample with No Aided Adults	
	<u>n</u>	<u>%</u>	<u>n</u>	<u>%</u>
<u>Ethnicity:</u>				
White	77	15.4%	23	7.0%
Hispanic	323	64.6%	261	79.3%
S.E. Asians	56	11.2%	17	5.2%
Other	44	8.8%	28	8.5%
Total:	500	100.0%	329	100.0%
<u>Earnings:</u>				
Earnings	19	3.8%	1	0.3%
No Earnings	481	96.2%	328	99.7%
Total:	500	100.0%	329	100.0%
Mean Length of Stay in Days:	776		698	
Mean Number of Total Persons:	4.21		3.94	
Mean Age of Primary Caretaker:	32.3		31.4	

\* The data includes children in child-only and other unaided adult cases, per the findings of this study.

Note: This table is for comparison only; the "Cases in Original Sample with No Aided Adults" do not constitute a valid random sample.



## APPENDIX V

### ORANGE COUNTY CHILD-ONLY FRAUD PILOT PROJECT

#### PROPORTION OF CASELOAD AND SAMPLE THAT ARE CHILD-ONLY CASES WITH NO AIDED ADULTS

Child-only cases with no aided adults in caseload:	9,241	= 67.5%
Original pool child-only/unaided adults:	13,698	

Child-only cases with no aided adults in 500 sample:	329	= 65.8%
Sample child-only/unaided adults:	500	



C124915559